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West Europe Report

(FOUO 50/81)



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WEST EUROPE REPORT

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THEATER FORCES

FRANCE

NUCLEAR DETERRENT, EUROPEAN DEFENSE POLICY: RESULTS, LIMITS

Paris COMMENTAIRE in French Summer 81 pp 197-203

[Article by Albert Falle: "Machiavelli and Deterrence"]

[Text] A few weeks ago, while watching, like everyone else, a television special on France's nuclear defense, I tried to imagine Machiavelli sitting in front of my TV set. What would the commissioner of the Nine of the Militia have thought upon viewing those Mirage aircraft, those Pluton missiles, those S-3 and M-4 missiles? Would he have inferred that this Republic of the "franciosi"--as he sometimes somewhat annoyingly referred to the subjects of the most Christian king--was "virtuosamente" and wisely taking the military measures necessary to cope with its enemies?

Name the Enemy and Allies

The force portrayed for him was immense, a force capable of destroying several dozen cities, each with a population of 1 million. The Republic possessing this force must surely be one of the world's leading powers. Yet who would dare confront such a force? Milan? Venice? King Charles? The secretary [of the council of the Republic of Florence] was indeed surprised to note that the enemy was not even named. He heard reference made to omnidirectional defense, but also--because it is one plausible scenario among others, so it was said--of an enemy "from the East." Which enemy? When Rome feared for its existence, between the two Punic Wars, it did not mobilize its legions against an enemy "from the South," but against Carthage.

What does this television language mean? It is directed to the people and not to the chancelleries. If the nation of the "franciosi" has enemies, why not name them? Could it be that the Republic is afraid to do so? But if the enemy is abstract, what reality does the defense have? Our Machiavelli wondered whether this timidity did not betray a certain lack of "virtu," despite the military resources the Republic appeared to have.

An irritated TV viewer whispered in his ear: "Don't rack your brains about it, it's only an election campaign program." But this remark did not stop the Florentine. The fact that it was campaign rhetoric mattered little. He was interested solely in the reality it revealed. But other viewers soon informed him and suggested, without clearly explaining themselves, that this enemy who is not named and who is perhaps not one, is much larger and more powerful than the Republic. But they immediately reassured him that the victorious strategy had been deduced precisely from this inequality and was a strategy designed to guarantee the Republic's survival.

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Now this was a situation our friend felt he recognized: a very large and very powerful nation confronting another weaker nation. In his view, the first tends to subdue the second. Experience proves that to preserve its freedom, the latter can rarely rely solely on its own forces but must also be defended by its allies. The Florentine noted, however, that nothing had thus far been said to him about the Republic's allies. Could the Republic possibly be alone under the sun in opposing the giant lying in wait for it? That would indeed be alarming. But once again they reassured him. There is no need to talk about allies. We have something better. We have our own forces!

"Miracles" of Deterrence

The commissioner of the Nine of the Militia was thus initiated into the subtleties of the doctrine of deterrence by which the Republic of the "franciosi" is able to prove that, in its case, the weaker nation can hold the stronger nation in check. This unnamed enemy who could come from the East will not come, however, because he does not wish to expose himself to massive retaliation. If he were to advance toward our territory, if he were to threaten our vital interests, we in turn would threaten to destroy several dozen of his cities. He will not take that risk.

Our friend continued his questions. What are those vital interests? What action by this enemy, who is perhaps not an enemy, would be considered an attack on those interests? He was not told. If this nonenemy were to violate, for example, as he has previously done in other places, the borders of a neighboring country but then stop at the Republic's borders, would that be an attack on the latter's vital interests or not? These definitely constitute prospective misunderstandings that might well encourage the said nonenemy to take a chance someday.

Would the threat brandished by the Republic be enough to stop the enemy? The author of "Discourses on the First Ten Books of Livy" tried to imagine how Carthage would have reacted had a small nation in northern Italy, or even Rome, threatened it with Jupiter's thunderbolts if Hannibal did not immediately halt his elephants as they were about to start crossing the Alps. Carthage would not have believed in the threat. The thunderbolts of the Republic of the "franciosi" are no doubt much more dangerous, much more real than Jupiter's. The enemy who is not one has no doubts on that score. Yet does he believe in the threat? The fact is that he has thunderbolts twenty times more powerful, as the Florentine had already learned from other sources. And what if that enemy were not to play the deterrent game and, deeming the situation ripe, were at last to launch an attack with his airborne divisions, his thousands of tanks, his hundreds of thousands of infantrymen? In fact, occupation and control of the Republic and a few other neighboring countries might well be for the nonenemy such an important objective that he would be willing to take equally important risks to achieve it.

What should be done then if the nonenemy having become the enemy turns a deaf ear to the threats of massive retaliation? Our Florentine using his reason buttressed by experience concluded that the only remaining thing to do is to try and stop the invading forces in the field. The Republic must give battle to the enemy. Impossible, replied the TV set, because, after all, we are winning. In fact, we are going to draw nearer to the enemy and launch a certain number of so-called tactical atomic weapons against him, not to stop him in his tracks but to make him finally understand the situation. He will readily see that our threats are serious. Our atomic

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projectiles will have already done him a great deal of harm. The damage is nothing compared with the strategic bombardment we are going to unleash against him at any moment if he persists in his aggression. Q.E.D.

The secretary of the seigniory was perplexed. This battle which the Republic refuses to fight while at the same time firing at the enemy a certain number of projectiles that will cause enormous damage, is it really explicit? Will the enemy understand that the Republic is not giving him battle but is thereby giving him merely a sort of telephone call? It's quite doubtful.

Deterrence or Refusing to Give Battle

Refusal to give battle is a tactic that our friend from Florence has studied. When Hannibal was ravaging Italy, Fabius followed him while stubbornly avoiding an actual battle, a strategy which enabled Rome to rebuild its forces and eventually destroy Carthage. But as Livy's commentator recalled, the battle which Fabius sought to avoid was merely the one Hannibal wanted to force him into under conditions favorable to Hannibal. The Roman would have fought on his own grounds, a risk the Carthaginian was too good a general to take. On his own grounds Fabius was, in fact, as strong as Hannibal was in his positions. It was this strength that allowed Fabius to refuse to give battle. The situation was altogether different for Philip of Macedonia. He tried in vain to avoid giving battle, but the Romans, after having ravaged his country, cornered him into fighting and defeated him. Is this refusal-to-give-battle policy adopted by the Republic of the "franciosi," the Fabius version or the Philip of Macedonia version?

Recalling the savage conduct of the Romans, how could Machiavelli possibly help from wondering whether this refusal to give battle would not, on the contrary, incite the Republic's powerful enemy to rapidly press his advantages, despite the risk of massive atomic retaliation to which he can respond with counterblows 20 times more powerful? This risk would certainly stop us. But they, the enemy, are probably not us. The Persians burned Athens and the Gauls burned Rome, but neither the Athenians nor the Romans stopped fighting. The destruction of Moscow, Leningrad, and other cities would not stop the enemy who is victorious on the battlefield.

The Republic's enemy will not let himself become hemmed in by the policy of deterrence, no more than Fabius let himself be drawn into the battle desired by Hannibal or Hannibal in the one wanted by Fabius. The enemy will be deaf to the strange messages transmitted to him via Pluton missiles. When the battle gets underway, it will be the battle he wanted, on the ground he chose, and at the right moment with the right weapons. If he has not already fired first, which is most probable, he will counter the Pluton and S-3 missiles with a volley of SS-20 missiles capable of pinpointedly destroying all weapons and equipment likely to hinder the advance of his forces. He, unlike the Republic, is not on the defensive. His military doctrine, drawn from his political doctrine, provides for and prepares for the tactical nuclear blitzkrieg clearing the way for his tanks. The enemy's plans even call for him to be able to fight this battle without having to mobilize his reserves. Regardless of the magnitude of the damage inflicted on his rear areas, he will have gained the victory if he rapidly occupies all the territory of the Republic and its neighboring republics, a victory he cannot be denied because the Republic has decided that it cannot and will not give battle to him. If he has a bit of "virtu"--and he has proved he was not lacking in such--he could even accept the destruction of Moscow, his capital city, without even destroying Paris in retaliation. What good would that do, inasmuch as

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it is assumed his tanks are bearing down on the Elysee Palace, a handsome building which it is more convenient to occupy in good condition than in ruins. Machiavelli ventured to suggest that it was to be feared, however, that Parisians, concentrated into suitable "gulags," would have to rebuild the barbarians' capital with their bare hands.

This made our Florentine friend quite apprehensive. In his view, this deterrent terror without battle is like a fortified place without any manpower therein. He remembered having read in Livy that "nec murus, nec vallum, armati armatis obstant," which could be translated somewhat freely as "tanks are not stopped by submarines," a version suggested by the excellent authors of "Echec a la guerre-la bombe a neutrons" [Checkmating War-the Neutron Bomb] (by Samuel T. Cohen and Marc Geneste, published by Copernic), a book that the famous author [Machiavelli] of "The Art of War" would have appreciated. In fact, tanks are not stopped by strategic missiles launched from submarines or from silos on the Albion Plateau, nor by deterrent fortifications, but by man-operated weapons capable of blasting them in their tracks.

Arm Men to Stop Tanks

Is it not actually possible for the Republic to provide itself the means of fighting this battle, failing which the enemy will not be stopped and will win? The TV screen, extremely defeatist on this particular point, had already implied that the Republic could not. The TV had casually indicated, however, that there might conceivably be another strategy, one implemented in coordination with some vague unspecified allies. Television is by nature brief and reticent; more often than not, it refrains from disturbing the viewing voter's digestion or sleepiness. To learn a little more about this strategy, the Florentine secretary let himself be taken into a chamber where he felt people must certainly be better informed, namely the National Defense Committee's conference room. As he entered, the armed forces chief of staff, the delegate general for armament, and the administrator of the Atomic Energy Commission were conducting a briefing. He reasonably felt that, unlike their televised remarks, these men would not, in such a meeting, draw a flattering and reassuring picture. After all, these were experts briefing political authorities.

Our Florentine who is able to take a hint immediately caught some signals in their explanations, signals that made him listen carefully. For example, the chief of staff said: "You need not puzzle your brains about this." Machiavelli immediately interpreted this as meaning: "Do stop being idiots." General Vanbremeersch was, in effect, pointing out to the committee's parliamentary members that military doctrine must take technology into consideration, that General de Gaulle, the father of deterrence by massive retaliation, had no doubts about this, because it was he who had ordered research, development and production of tactical nuclear weapons, in other words, weapons meant to be used on the battlefield.

Mr Martre, the delegate general for armament, seemed to be entirely of the same opinion. "The important thing is to have the suitable weapon meeting the requirement, and have it at the right moment." And what if that right moment happens to be the one when enemy tanks are sweeping forward? And what if the suitable weapon meeting the requirement were precisely that neutron bomb which the delegate general for armament considers "the most reliable weapon compared with others of equivalent effectiveness?"

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Mr Pecqueur, the administrator of the Atomic Energy Commission, was more explicit. "The neutron bomb," he explained, "is essentially a defensive weapon...When fired at 2-kilometer intervals, it provides total protection."

The Florentine who had made inquiries already knew that this weapon's neutrons penetrate the thickest armor, like daylight through glass, that it destroys every living person or thing at ground level without causing any blast or fire damage. He knew that two of these weapons detonated 1,500 meters apart would be enough to stop any armored formation over a 3-kilometer front, and that to obtain similar results with conventional artillery shells would require simultaneous fire from the tank and field artillery guns of 30 to 150 armored divisions. Lastly, he knew that a person can shield himself from the weapon's neutrons by taking cover under 1.5 meters of earth, a solution highly suitable to the defender who can bury himself but not to the attacker who has to advance at ground level.

Continuing to argue for the Republic of the "franciosi," our Florentine regained his peace of mind. According to the experts themselves, the Republic could very well have these extraordinary weapons in 2 or 3 years, weapons capable of stopping the enemy in his tracks no matter how gigantic the invasion forces may be. Once again, David can plan to fight Goliath, not by demolishing the giant's lair, but by opposing him with a sling. Once again, the Republic can abide by the principle "armati armatis obstant." The Republic is not lost, provided it loses no time in producing these new weapons in large numbers and is not content to store them in arsenals but the opportunity to do so effectively whenever and wherever needed. This would certainly be a considerable change in strategy. But it would permit the Republic to do better than Fabius, namely to stop Hannibal in the foothills of the Alps before he is able to ravage Italy.

Accepting the Forward Battle

The Florentine contemplated writing an additional chapter to his treatise on "The Art of War." By accepting to fight the forward battle, the Republic immediately deprives the enemy of the doctrinal superiority underlying his strength. The enemy believes that war always has a political meaning. The Republic and its allies believe that monstrous atomic weapons make war impossible and even unthinkable. In an effort to prove this fact to the enemy, they have accumulated these weapons of terror. But the enemy has not changed his views. With these same weapons, he has achieved a counterterror capability. Between these two terrors which, in his opinion, counterbalance one another, he continues to prepare for a war having a political meaning, that is to say aimed at occupation and control of territory. Under these conditions, how can anyone who refuses to wage war possibly resist someone who believes it is always possibly useful? "A war cannot be refused," recalled the Florentine, "but only deferred to the other party's advantage." By accepting the forward battle, the Republic would first of all be renouncing this defeatist doctrine. It would be rejecting a certain intellectual disarmament which places it in a position of inferiority irrespective of the magnitude of its weaponry.

Without doubt it would at the same time reduce the risks of a holocaust. The armed forces chief of staff may perhaps have suggested such a possibility, even though seeming to say the opposite, when declaring: "Any nuclear attack on our territory will lead to a total response." On reflection, these words mean: strategic nuclear fire is specifically a response to a definite strategic nuclear attack and not, for

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example, to a tank attack, it being possible to stop the latter by other means. In that case, would the enemy unleash strategic terror knowing that it would eventually fall back on his head. Why? One of the "enemy's" men, Marshal Grechko, has said: "These doomsday weapons are not weapons of war. The man who would be crazy enough to be the first one to push the button is not yet born" (quoted by Marc Geneste in "Echec a la guerre"). If faced with an adversary capable of winning this forward battle, it is virtually certain that the Republic's enemy will take care not to join that battle.

As he was about to conclude his additional chapter, the Florentine received new information that pleased him very much. He learned that technology had recently conceived a new extraordinary weapon, the gamma bomb,* which combined with the neutron bomb would give the Republic absolute assurance of being able to bar the enemy from its territory. This would not be the first time in history that the weaker nation endowed with "virtu" victoriously defends itself against a stronger nation. But would it not be the first time that the weaker nation's weapons give it absolute defensive superiority?

The Florentine's age-old experience prompted him, nevertheless, to temper his pleasure. He knew that Fortune trifles with our assurances, that men very often have neither enough "virtu" nor enough sense to seize the opportunities it occasionally offers them. Hence he was hardly surprised when he was informed somewhat later that the same National Defense Committee before which a considerable number of experts had testified, had adopted none of their recommendations. But 58 of its 60 members voted to reaffirm the principles of deterrence by massive retaliation and rejected any idea of the forward battle. What about the capabilities which modern atomic weapons offer the defense? Not interested. What about the neutron bomb capable of stopping an army of tanks? It is contrary to the principle of deterrence. The threat of huge old-fashioned "popguns" is better. The experts seem to have talked to a committee of deaf persons. As the defense minister himself had previously said, "Our doctrine does not change."

Revise the Doctrine of Deterrence

The doctrine which does not change has become a dogma, deterrence an archaism: antiquated deterrence. Once again, the Florentine felt pessimistic about the Republic's future. He noted that in the name of faithfulness to a genius, obscurantism was prevailing. There is nothing new about this. A great man of the Republic, General de Gaulle, a reformer and strategist, had devised the best defense possible at a certain period. A genius capable of changing with the times and keeping abreast of technological advances, he would undoubtedly have adapted his strategy to them. He did not have time to do so. His successors have immobilized his thinking into a mythology.

Should common sense lose hope? The Florentine is not a man to yield to Fortune although he does acknowledge her power. An examination of the facts showed him that the dogma may not be as indestructible as it appears. Admittedly it is untouchable for all the Republic's political parties save one and especially sacrosanct for one

* "Terreur sans massacre: la bombe gamma" [Terror Without Slaughter: the Gamma Bomb] by S.T. Cohen and Marc Genest in POLITIQUE INTERNATIONALE.

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of them, the RPR, which claims to be the heir of the father of deterrence. Even within the party that no longer unreservedly accepts him, the UDF, there is still great respect for the mythology. That is why almost all UDF members of the National Defense Committee voted with their RPR colleagues for the dogma's retention. It is encouraging to note, however, that in the UDF's "A Defense Doctrine for France," that party acknowledges "that only numerous tactical nuclear weapons, such as the neutron weapon, can counterbalance the adversary's enormous superiority in conventional weapons." While continuing to base defense policy on deterrence by massive retaliation, the UDF considers it necessary to prepare a tactical nuclear defense for the battlefield. The President of the Republic has personally declared that "we must not finesse" and that nuclear defense consists of a "cluster of means," a conception which is already quite removed from old-fashioned deterrence.

Revision of American Strategy

These minor quakes would probably not be enough to crack ultraconservatism's crust if they were not reinforced by a probable revision of the strategy of the Republic's principal ally. Our Florentine friend finally discovered, despite the TV screen's silence on the subject, that this ally really existed, was fortunately very powerful, and in the past had already twice saved the Republic from disaster. Under these circumstances, Machiavelli felt he could not assess the Republic's defense capability without having some idea of that principal ally's own defense capability. At this juncture, he began to inquire about the strange comical behavior of the princes of the "franciosi," letting it be known "urbi et orbi" that they could defend themselves by themselves alone. It was obvious, in fact, that if the Republic's deterrent threats did retain some weight, it was because the adversary had to keep the main part of his strategic nuclear forces in reserve to neutralize those of the Republic's great ally. This accounts for the enemy's rush to accumulate new projectiles capable of neutralizing the "franciosi's" nuclear forces and possible those of small neighboring republics, while still retaining the capability of devastating the territory of their great ally.

What then are the forces of this ally called the United States? Does it have the will to protect the Republic? An important question on which the Florentine pondered at length. We shall simply mention his amazement upon learning that the great ally had one day become more afraid of his own weapons than of his enemy and had disarmed while the latter continued to build up his forces. An odd situation. At that time, the United States had formidable forces stationed on the territory of its allies in Europe, pentomic divisions equipped with atomic delivery systems which gave it and its allies a tactical superiority of 20 to 1. Any enemy attack would have been immediately crushed in its tracks by a shower of tactical projectiles. In addition, the ally's Strategic Air Command was capable, if necessary, of devastating the enemy's territory. The enemy, however, soon acquired the capability of striking U.S. territory. How could such a nuclear exchange be avoided? The great ally thought that by disarming his atomic units in Europe, the risk of such an exchange would be reduced. He reasoned that if he tried to stop enemy tanks with atomic shells, the war would inevitably escalate into a holocaust. If tanks did attack, they would have to be countered with other tanks, with so-called conventional weapons. If these tactics did not work, then and only then could atomic weapons probably be used.

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The Florentine strategist was told this was called the "flexible response" doctrine, a corollary of the escalation doctrine. He grasped at once that this strategy definitely answered the enemy's purpose. The United States withdrew its most advantageous weapons, such as the Davy Crockett, an atomic recoilless rifle, to its own territory. It buried the others in silos where they still remain, targets pinpointed by the enemy and easy to destroy. They will be launched only if something goes wrong. Will they still be usable? Will there be time to use them? Only the president of the United States may order employment of tactical nuclear weapons. It takes 20 hours for the request to reach him and his authorization to be retransmitted to the battlefield. During this time, how far will the tanks have advanced? Will there still be a target for atomic weapons, friendly and enemy troops being intermingled in battle? The enemy's enormous superiority in conventional forces would be decisive under these circumstances. Defeat on the battlefield would be inevitable.

The Republic of the "franciosi," headed at the time by General de Gaulle, quickly realized that this strategy was absurd and did not protect Europe. It was under these conditions that he armed the Republic with an independent "strike force" designed to deter this aggressor from the East by threats of massive retaliatory strikes, a strategy adapted to the technological resources of the period but which is no longer suitable today, no more than is the flexible response strategy. Both of these strategies leave Europe at the mercy of the enemy.

Fortunately, the great ally's strategy is very probably going to be changed, and this will definitely have some effect on the Republic's strategy. There are many signs suggestive of such a change. For instance, the new American president's advisers, men like Richard Allen, Dick Van Cleave, and Senator Tower, make no secret of the fact that the strategy which has been in effect for 20 years, a strategy tied to detente, has to be revised. This is a lengthy and exacting task that President Reagan will address himself to.

Our Florentine wondered whether the enemy will leave the "franciosi" and their allies enough time to put on this new armor. Historical precedents are not, in his view, very encouraging. In the 14th and 15th centuries, it took the kingdom's magnificent knights astride their chargers 100 years to realize that they were powerless against the English archers. It took the massacres of Crecy, Poitiers, and Azincourt plus other appalling misfortunes to make them renounce the dogma of the knights invincibility when opposing loutish commoners. In 1870, Napoleonic principles transformed into dogma made us deaf and blind to the Prussian army's progress. In 1914, the dogma of the all-out offensive made us scoff at German machine guns, at a cost of 300,000 dead and retreat until the "Miracle of the Marne." There was no miracle in 1940, however. This time, the dogma of the defense made us disregard the warnings of a Colonel de Gaulle about the possibility of a war of movement. The results are well-known.

Some well-meaning persons claim, however, that the hypothesis of a frontal attack from the East is the least probable of all hypotheses. The Florentine secretary reminds us that it is unwise to rely on the improbability of hypotheses. To be left at the enemy's mercy, which is the case today, is not prudent. This is a position which leads nations and individuals to every act of cowardice and simultaneously to misfortune.

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Let us hope that the dogmatism and archaism which in the end have always spelled disaster when in power, will give way to plain common sense before it is too late.

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ECONOMIC

INTERNATIONAL AFFAIRS

FRENCH USE VIOLENCE TO STOP SPANISH AGRICULTURAL IMPORTS

Madrid CAMBIO 16 in Spanish 24 Jul 81 pp 19-22

[Article by special correspondent Miguel Ramos: "The Fruit of Discord."]

[Text] When, at the end of the first half of August, the news reached the vast and empty freight platforms of the Saint Charles of Perpignan Market that Spanish trucks loaded with pears and melons were blocked, destroyed and set on fire by commandos of unionized French farmers from the Var and Vaucluse districts, Paul Marquillanes and Yves Mir looked at each other with disbelief, surprise and confusion.

Paul Marquillanes is the president of the French National Union of Fruit and Vegetable Importers, and Yves Mir is the director of the Saint Charles International Market.

Two things attracted their attention in these actions against Spanish fruit: first, they occurred at the most slack time of the importing season and when they were least justified; second, the actions coincided with violence by the wine growers, on the eve of the harvest, against imports of Italian wine earmarked for cutting and blending.

The coincidence of the actions of the Var and Vaucluse farmers (and not the farmers of the Languedoc and Roussillon regions, like last year) with the action of the wine growers in Aude and Herault seemed to Marquillanes and Mir to be too coincidental not to have been planned. Subsequent events showed they were right and filled them with anxiety.

In fact, the new French socialist government behaved in an absolutely unusual way, which the importers of wine as well as of fruit and vegetables, do not hesitate to describe as "demagogic," "electionist" and "anticommunitarian."

Prime Minister Pierre Mauroy and Minister of Agriculture Mrs Cresson called together the leaders of the wine growers and farmers unions and formed with them so-called "crisis cells," from which the businessmen were completely excluded, and from which resulted, in the case of wine, protectionist provisions in the form of new taxes and customs duties for imports and, in the case of fruit and vegetables, a delay of 3 weeks on imports of lemon pears and melons, which Madrid accepted, and which was presented to France as a tremendous victory by Mrs Cresson.

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For the Spanish growers this delay, cheerfully accepted by Madrid, meant neither more nor less than the ruin of the whole export season for the product at issue and for subsequent ones.

The whole crux of the problem is in fact this: Spain grows more and better fruit and vegetables and cheaper ones than the French grow and, above all, Spain produces them /always 2 weeks earlier/ [boldface].

Three-quarters of the tremendous quantity of Spanish fruit and vegetable exports pass through the Saint Charles International Market, where customs is located and also trade toward all of Europe.

Now, in August, the huge ships are empty. This is the most slack time. "The big season," says Mir, "is from the end of September until June." In fact, it is only a matter of lemons and oranges. They show us graphs and statistics. In 1972 206,000 tons came from Spain of market garden produce including citrus fruits, vegetables and fresh fruit. In 1981 the figure will be about 600,000 tons.

"The market operates only in the Spain-France Sense," Mir clarifies, specifying that the sector he represents, which is the importers, is determinedly a supporter of Spain's entry into the Common Market. This will make trade operate both ways," says Mir, a sturdy and dynamic man in his forties, with a huge motorcycle waiting for him at the door. Meanwhile Marquillanes already proposed to the Giscard administration and has again proposed to the Mitterrand administration the establishment of a tripartite commission, made up of representatives of the Paris and Madrid governments, the French and Spanish unions and the business people, which commission would set up a calendar of imports and exports for fruit and vegetables. This year there was already an experiment that worked perfectly. For climatological reasons, this year in France there was a shortage of 2,000 tons of artichokes. An agreement was reached between Paris and Madrid and those artichokes were brought from Spain. Afterwards, when the artichoke supply in Spain was exhausted, Madrid in turn bought 2,000 tons from the French farmers.

For the businessmen, the climatological factor that causes fruit and vegetables to appear from 2 weeks to 1 month earlier in Spain than in France, far from being a reason for discord, could be an element in increasing trade.

The French farmers do not understand it this way. "On Monday, 17 May, they meet again in Perpignan with the Spaniards. I have spoken with the French leaders to allow us to attend the meeting. They refuse. We know that in Paris they have reached secret agreements with the government about which we do not have the slightest information. Believe me, the situation is very disturbing."

Words, Words, Words

Yves Mir, before each statement, specifies: I say this as an importer, I say this as director of the market. Now Mir wants to speak only as a French citizen.

"The situation in France is not at all clear. There has been a change of government, and the economic crisis has worsened. Consumption has fallen substantially,

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and the effects are being felt in products such as fruit. But, moreover, pay attention to one detail and that, eh?, I repeat, I say from a very personal point of view...where have the Spanish trucks been held up and destroyed, evidently with the blessings of the French police? Take a look at the map: between Avignon and Marseille. This is the fief of Gaston Defferre, to whom you people, probably with all the reason in the world, did something nasty, which Mr Defferre did not like at all. His trip to Madrid was postponed. He was not well received. Because I still say to you, otherwise, to attack Spanish fruit imports at the most slack time of the season does not make much sense."

The socialists also made a clean sweep in Perpignan and throughout Roussillon, or French Catalonia. It was, for them, a "divine surprise." In that region Giscard was in control, closely followed by a Communist Party (PCF) that was well established and growing steadily.

In June of last year, this special correspondent spoke with the local political and union powers. It was at the time of the big truck crisis.

During that period a strange common front appeared among Giscardians and communists alongside the "young farmers" of the region, led by an aggressive peasant named Pla, who went so far as to physically threaten this reporter. "Be careful what you write in your country, because I have a long arm and relatives in Barcelona who could do you a lot of harm." These threats were uttered before witnesses.

Last year, on the contrary, the socialists condemned the actions of the young farmers and accused Pla of being an "agent of Giscardism and an irresponsible demagogue." They called for the rapid entry of Spain into the EEC.

Victory in the elections went to a woman, Renee Soum, attractive at 42 and a professor, from the Mitterrand faction. "But she is not here. She has taken a well deserved vacation, the poor thing," we are told by her political adviser, a lawyer, Mr Landrieu.

He remembers perfectly our visit last year. But we have to refresh his memory about his party's policy statements, made 2 months ago, when the socialists were not yet in power. Landrieu explains: "Basically we have not changed. Certainly we are for Spain's entry into the EEC...although right now the subject is ill-timed. And, moreover, would it change anything on the Spanish fruit and vegetable problem? Look at the wine issue, Italy belongs to the EEC and you have already seen what is happening."

The young farmers voted for Giscard. "Has anything changed in this aspect, Mr Landrieu?" we asked, ever so well interested.

"Oh, they continue to be quite moderate, but, in fact, there have been changes in the local, peasant [?] voters. They are losing their fear; they are gaining confidence. They are starting to understand that certain state interventionism may be better than being at the mercy of the banks."

Regarding the results of the Paris negotiations, Landrieu resorts to the official explanation. It was a great victory for Pierre Mauroy and Claudette Cresson. They succeeded in calming the fury of the wine growers and the farmers.

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"We have a file on this subject. Look."

Landrieu displays some letters of accusation signed by the Young Farmers Union, according to which certain importers said that shipments of Spanish lemon pears were going to Switzerland, but later they put them in boxes on which they wrote "fruit of France" and these shipments were sold in the big warehouses right in the Perpignan region.

We were familiar with the story. One of these large warehouses was completely razed by the young farmers. At the Saint Charles Market this version is denied most vigorously. At the headquarters of the socialist representative, they are completely unaware of the denial.

If Spain joins the EEC, all the agriculture in the South of France is condemned to disappear, and this reality is admitted by everyone in France. A year ago the local socialist party spoke of "reconversion" and "industrialization."

Once in power, these convictions seem to have been forgotten.

The concessions made by the new government to the wine growers will be extended to the farmers and fruit growers. State subsidies will be increased, as will protectionism. As for the destruction of Spanish trucks and shipments, this is not a major importance "since they are conscientiously compensated."

By blocking millions of liters of Italian wine at their borders, the French Government has violated the most sacred principle of free circulation of goods in the EEC countries, thus creating one of the greatest crises that this communitarian organization has experienced until now.

Leaving aside Defferre's possible vindictive whims, the action this August against the Spanish fruit imports is the creation of a "test," probably coordinated between the French Government and the farmers unions, intended to soon facilitate the publication of superprotectionist measures that would practically close the European market to Spanish fruit.

CAMBIO 16's special correspondent obtained secret disclosures in the Perpignan region according to which the real battle against our fruits and farm products will take place this fall when the Saint Charles Market reaches the zenith of its operations.

There are leaks that say the most violent actions against our exports will no longer take place on the southern roads, but at Rungis itself, the Parisian central wholesale market.

The anticipated price increases, the bad social and economic situation, the announced devaluation of the franc and the general dissatisfaction would thus make "understandable" in the public eye "the rage" of the Gallic farmers and would convert into a new "great success" for the Mitterrand administration new and harsh protectionist measures that are essentially anti-Spanish.

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At the same time, such measures will allow the socialization of the systems of distribution and marketing, that is, of this business, considered by the present regime not only as opposed to the principles of socialism, but made up of men among whom Mitterrand's voters are not plentiful.

Meanwhile, on 1 August in Figueras and on the 17th in Perpignan, interunion Spanish-French farmers meetings were held, which gave our countrymen the impression of being above all a "smoke screen" and a platform of personal publicity for the French leader, Mr Pla.

On the Spanish side they are singing another tune. The leaders of the Unio de Pagesos (Farmers Union) and members of the coordinating group of the farmers unions, which joins 25 guilds and can be described as genuinely representative of the Spanish farmers, state that "the French do not want a calendar. What they want is to gain time and to cause at the suitable moment a major crisis that will allow their government to block imports, as they have done with Italian wine."

Thus state Federico Munoz and Francesc Puig, in a hall of the Ampurdon Hotel, on the eve of their meeting with Pla, Abadie and the other Frenchmen.

"We are going to the meeting knowing how things stand and only eager to exhaust all possibilities for dialogue and to show it is we who are the democrats and not them. There is one truth revealed here by these events, and it is this: We Spaniards pick the fruit and vegetables in better condition and at lower prices than the French and 15 to 20 days ahead. And in this market the one who starts out first is the one who sells everything. This is our advantage. Their advantage is a government that supports them and is ready to do everything so that the south of France will be the orchard of Europe, even if this means wrecking Spanish agriculture," state the Spanish unionists.

Today their patience has worn out. Perfectly aware of what is happening on the other side of the border, through their own sources (much more aware, at any rate, than the Madrid government), the Spanish unionists are now finding it difficult to restrain their troops, who are ready for the most brutal retaliation against French property in Spain, "if this continues."

The call for a boycott of French products "has been above all to satisfy them a little bit, because they already wanted to move toward actions of greater scope."

And Federico Munoz says, "The French do not know us. If it is a matter of violence, they do not know what we are capable of. If they want to make this a question of guts, they do not know who they are up against."

CAMBIO 16 can assert that there already exists within Spanish farm unionism a secret committee that has been entrusted with the study and organization of reprisals against French trucks and merchandise in transit through Spain.

"If our government were to close the borders to French imports for only 15 days, Paris would realize that it has everything to lose," believe our farmers, envious of their French counterparts.

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"Just think, they make the least little row and Mitterrand calls them, he invites them to eat at the Elysee and he gives them what they are asking for. Here, the moment has not arrived when Mr Lamo de Espinosa consults with a representative of the Spanish farm unions.

"We understand the Spanish Government's problems. But if they continue to do nothing, we will go ahead to take action, and, believe me, we are going to choke the French. Right now we have public opinion on our side. We know this because we are the people, and we know what is being said and what people are saying to us. It is about time to lower your trousers. Let us see when you give them what they deserve," [as published] asserts Puig.

This special correspondent for CAMBIO 16 sensed this state of mind even among members of the National Police and the Civil Guard detailed at the border.

From the important Spanish agriculture sector one imagines quite pessimistically the future of relations with France.

They intend to get our exports out by ship, from Santander or Bilbao, and distribute them to Europe from Belgium or Holland, avoiding this "valley of death" which is transit through a France that is permissive toward highway piracy and a police force that this August has collaborated directly with the offenders, whose names routinely appear in the press and whose faces crop up making statements on television screens.

According to the Spanish unionists, the ease with which Madrid accepted delaying for 3 weeks the exporting of lemon pears has ruined the whole apple season, which started on the 8th.

"Not only has the pear stock not been sold off, but the exporters and carriers do not want to assume the risk of crossing France loaded with Spanish apples. No, things cannot continue this way."

No. It cannot go on like this. It is up to the government now.

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ECONOMIC

INTERNATIONAL AFFAIRS

NORWAY REPLACING DENMARK AS NORDIC 'LOCOMOTIVE'

Stockholm VECKANS AFFARER in Swedish 20 Aug 81 pp 34-35

[Article by Carl-Olof Johard]

[Text] The large firms are strengthening their hold on the economy in Scandinavia. That is shown by VECKANS AFFARER's annual compilation concerning Scandinavia's 500 largest firms. Norway has taken the lead as Scandinavia's "locomotive," while Denmark, which used to be number one, has suffered a setback. The most profitable industry--petroleum--is found in Finland. In Norway, on the other hand, the oil companies are struggling with domestic price regulations that inhibit profits. The most profitable firm in Scandinavia is, as usual, Alko [Finnish State Liquor Monopoly], followed by a brace of multinationals with IBM in the lead. The Swedish firms have the greatest solvency, but they also head the list of the biggest losers.

The large firms are continuing to strengthen their hold on Scandinavia's economy. The total turnover of 1,044.2 billion Swedish kronor for the 500 largest firms corresponds to 82 percent of Scandinavia's combined GNP--an increase of 2 percent since 1979 and of 7 percent since 1978. The same firms now employ a good one-fourth of Scandinavia's total manpower.

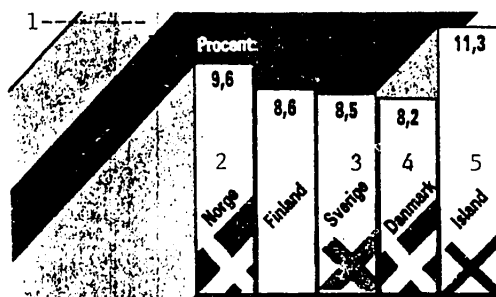
At the same time, Norwegian oil has started to exert a real influence on the balance of power in the Scandinavian economy. Despite an incipient recession during the second half of 1980, no striking decline was noted in profits by the large firms, since the high oil revenues kept industry as a whole afloat. Despite the hard-pressed situation, the 500 firms increased their combined profits by 5 percent to a total of 30.1 billion kronor.

The return on total assets also continued to rise all along the line, with the result that the average for Scandinavia comes to 8.1 percent, compared to 7.7 percent the year before. But to some extent, that is due to the long-term interest rate, which stands at around 15 percent.

Norway in particular experienced a historic upswing during 1980, thanks primarily to the explosive improvement in profits by Statoil and Norwegian Hydro. Statoil turned 1979's loss of 100 million kronor into a profit of 200 million kronor--an improvement amounting to 300 million kronor--and Norwegian Hydro's profits improved by 1 billion.

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Return on Total Assets



Key:

1. Percent
2. Norway
3. Sweden
4. Denmark
5. Iceland

Norway, which used to show the lowest return on total assets, has now moved to the head of the pack with an average of 9.6 percent, while the most reliable "locomotive" of the past decades--the Danish economy--has for the first time reported the lowest return on total assets in Scandinavia at 8.2 percent.

Verner Puggaard, economist at the Federation of Danish Industries, explains: "Industry in Denmark suffered a sharp setback on the domestic market during 1980. Because of a sharp increase in oil prices and higher corporation and consumer taxes, the country's investments and its purchasing power dropped drastically during the year. Domestic sales dropped by between 25 and 30 percent."

The return on total assets for Swedish firms wound up 0.1 percent below the weighted average of 8.6 percent, while for Finnish firms it equaled the average precisely. Like Norway, however, the Swedish firms showed the highest relative improvement in profits. Since 1977, the Swedish firms have steadily increased their return by 5 percentage points, with an increase of 1 percent since 1979.

If we look at the rate of return on stockholders' equity after taxes, the picture is further strengthened. Here the Norwegian firms show a return of 11 percent, compared to 8.9 percent for the Danes, 8.4 percent for the Swedes, and only 7 percent for the Finns. The reversal in Denmark's and Finland's figures is explained to a large extent by the differences in the percentage of corporation tax in those two countries.

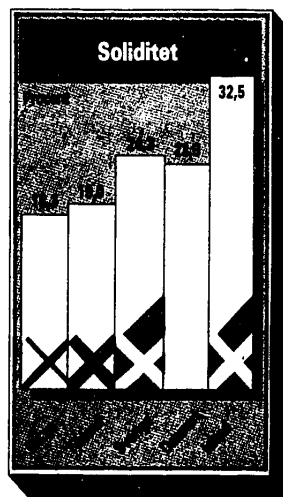
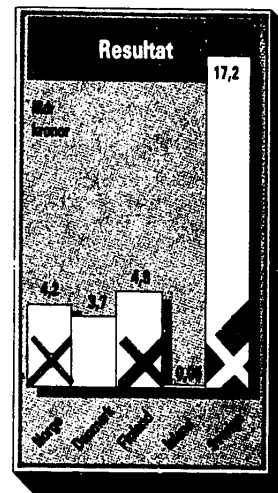
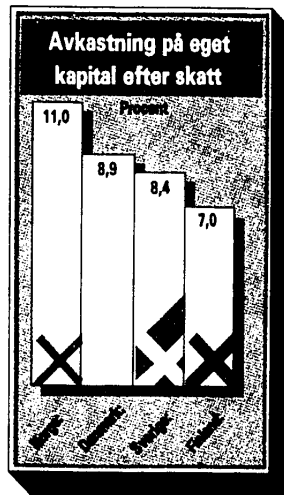
The highest return in Scandinavia--30.4 percent--is displayed by Finland's petroleum industry, while the petroleum industry in the land of oil--Norway--shows a return of only 8.2 percent on stockholders' equity.

Paavo Gronlund, economist at the Federation of Finnish Industries, says: "The high profitability of the Finnish oil industry is due almost exclusively to the total domination of the field by Neste, the Finnish oil company, and its high profits."

Jan Didriksen, administration manager of the Federation of Norwegian Industries, says: "The low return shown by the Norwegian oil industry is caused by the tremendously

Return on Stockholder's
Equity. Norway has
passed Denmark as
Scandinavia's
"locomotive."

Profits.
Profits for Swedish firms
exceeded the total profits
for all the others.



Solvency. Only the Swedish
firms showed increased
solvency in 1980.

Net Margin. Norwegian firms also
had the highest net margin.

Procent-percent
Mdr kronor-billions of kronor

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low domestic oil prices. For quite a long time, the Norwegian oil companies and refineries have been engaged in talks with the government concerning oil price regulation."

Swedes Increase Solvency

During 1980, solvency declined to an overall average of 22.4 percent for the 500 big firms. Here again, the largest loss was recorded by the Danish firms--5.2 percent. But the Norwegian and Finnish firms also showed slight decreases to 18.3 and 19 percent respectively. The Swedish firms were therefore the only ones in Scandinavia to increase their solvency--by 1 percentage point to an average of 24.3 percent.

The Swedish firms increased their investments during 1980 from 24 billion to 29.5 billion kronor. This means that the large Swedish firms accounted for nearly 52 percent of the investments made by all the large Scandinavian firms combined.

Sven Wallgren, managing director of Esselte and deputy chairman of the Federation of Swedish Industries, says: "But investments are still too low in Sweden. They ought to be much higher to prevent our position in the domestic market from deteriorating further."

Low Investments in Norway

Finland almost doubled its investments--from 6.3 to 11.7 billion--while the large Norwegian firms displayed a dramatic reluctance to invest. Although the country has more firms on the list of 500 than it had in previous years, investments nevertheless dropped from 17.7 billion in 1979 to 8.6 billion in 1980. The explanation is to be found in reduced efforts in the North Sea. Denmark remains at the bottom of the investment list with 7 billion kronor.

Jan Didriksen of the Federation of Norwegian Industries explains: "The low investments, which were due to the extremely low return on stockholders' equity that used to exist in Norway, have also provoked a lively debate in the Norwegian mass media. In the long term, however, the unwillingness to invest does not apply to the oil industry, where a major investment program has been adopted for the next few years."

The Swedish firms are certainly still by far the most internationally oriented, but they have lost ground abroad and now account for only 66 percent of sales abroad by the 500 firms (exports plus sales by subsidiaries), compared to 73 percent in 1979. The Danes and Norwegians increased their sales abroad by 3 percent each--to 13 and 10 percent respectively--while the Finnish firms increased theirs from 10 to 11 percent.

Since Swedish industry still accounts for nearly 55 percent of total exports by the 500 firms, the Swedish decline has therefore occurred primarily in overseas production. Overseas production by the large Swedish firms is still very considerable, however.

Partly because of exchange movements in relation to the Swedish krona (totaling nearly 8 percent during 1980), Denmark is for the first time the most poorly represented country on the list of 500 with the exception of Iceland. Since 1979, Denmark has lost 11 firms from the list, while Finland has added 9 new ones.

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Finland Stronger in Second Place

Sweden has 188 firms among Scandinavia's largest. They account for 596.9 billion kronor in turnover, or a good 57 percent of total turnover by the 500 firms. With its 116 firms and 191.1 billion in turnover, Finland has further strengthened its second-place position, ahead of Norway with 96 firms (115.8 billion in turnover). Although Denmark has fewer firms represented on the list of 500 than Norway does, they account for a larger turnover (135.1 billion Swedish kronor). Iceland has seven firms on the list, with a total turnover of 5.3 billion kronor.

Sweden's Consumers' Cooperative Union (KF) and Volvo are continuing to fight for the title of "Scandinavia's largest firm." It is interesting to note that the next group, consisting of the Swedish firms of the Axel Johnson Group, Electrolux, Beijer Investment, and the ICA [expansion unknown], has moved into the earlier gap and that there are now (before the merger of Volvo and Beijer) only relatively marginal differences in the turnover figures for those firms on the one hand and KF-Volvo on the other. It seems that next year, the KF will find it very hard to keep Electrolux and the Axel Johnson Group out of the struggle for second place after the giant Volvo-Beijer.

Of the 10 largest Scandinavian firms, 7 are Swedish, 2 are Finnish--the Kesko food chain and the Neste oil firm--and 1 is Danish (the East Asiatic Company). A brandnew member of the 10 is Sweden's giant retailer, J. S. Saba (formerly NK [Nordic Company]-Ahrens). Presumably the A. P. Moller Group would also have had a place in that celebrated company, but as usual, it does not publish any sales figures.

Neste Has Highest Profits

The Swedes and Norwegians had a good year otherwise as far as earnings and return are concerned. The Finnish oil corporation, Neste, continues to show Scandinavia's best before-tax earnings (1,547.7 billion kronor), followed by Norwegian Hydro with 1,330 billion, L. M. Ericsson with 1,008.8 billion, and Electrolux with 1,003 billion. The position of the Swedes is significant. The engineering industry accounted for nearly half of the combined profits for the Swedish firms. The leading position held by the oil companies is due in large part to high profits on inventories.

When it comes to Scandinavia's 25 most profitable firms, the top spot on the winner's stand again goes--not unexpectedly--to the Finnish State Liquor Monopoly (Alko), which had a profit of 35.8 percent. The runner-up in that race was IBM, which took second and third place--IBM Denmark with a profit of 30.8 percent and IBM Sweden with a profit of 27 percent. The foreign multinational giants took 5 of the 10 top spots.

Biggest Losers in Sweden

The list of the biggest losers is also dominated by Sweden. No less than 12 Swedish firms are on that list, among them 9 that are wholly or partially state-owned. In all, the nine state-owned Swedish corporations lost a little over 3 billion kronor (net of all government subsidies). That is nearly one-fifth of the combined results for all of the 188 large Swedish firms. The state-owned quartet of Swedish Shipyards, the SSAB [Swedish Steel Corporation], Swedish Petroleum, and the Swedish State Holding Company are also outstanding at the top of the list of losers. The first non-Swedish firm on the list of losers is the state-owned Norwegian Steelworks, with a loss of 164.4 billion kronor.

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To sum up, it can be said that from a Scandinavian perspective, and despite heavy losses by the state-owned firms, Swedish industry did reasonably well in getting through the first stages of the recession at the end of 1980, while Danish and Norwegian industry, on the other hand, lost ground. Thanks to its expansion in petroleum and an extremely profitable retail and wholesale trade, the Norwegian economy was able to shore up its otherwise poor results.

Sven Wallgren of Esselte says: "For the Scandinavian domestic markets, 1981 is going to be an even tougher year. The Norwegian oil industry's influence is continuing to grow, while the odds for the rest of Norwegian industry look even worse for the future. The Swedish firms, whose interest in Norway is growing steadily, are going to be sitting in the front row, and they will find a good market in that neighboring country. Norway is now Sweden's second largest export market."

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ECONOMIC

DENMARK

FOREIGN DEBT SOON TO REACH 100 BILLION KRONER

Stockholm VECKANS AFFARER in Swedish 20 Aug 81 p 123

[Article by Camilla Bratt]

[Text] A very large deficit on current account (about 15 billion Danish kroner this year), a foreign debt that is now approaching 100 billion Danish kroner, and about 300,000 unemployed or on early retirement.

Those are a few of the problems that the Danish Government has to wrestle with.

Since the end of 1979, Anker Jorgensen's Social Democratic minority government has, with the support of three small nonsocialist parties, pushed through one package of economic restraints after the other in an effort to overcome the deficit on current account that has now lasted for 20 years.

A tighter monetary policy, devaluation, tax increases, cutbacks in the public sector, and all-out efforts to hold down wage increases (partly by excluding energy prices from the index on which wages are based) have so far constituted the government's formula for solving the economic crisis.

Those starvation cures have had their effect. Private consumption fell by 4 percent last year and is expected to drop another 1 percent this year. And the current account deficit shrank from 15.5 billion Danish kroner in 1979 to 13.8 billion in 1980.

But to achieve the stated goal--to improve the country's competitive position by 2 or 3 percent annually until the economy is reasonably in balance--the government is being forced to continue its policy of economic restraint, and at the same time it must try to speed up production, investments, and employment.

The latest agreement between the government and the three small parties includes, in addition to measures aimed at getting production moving, a plan for reducing energy consumption through advantageous financing and thus contributing to energy-saving measures. Reducing the oil bill is one part of the attempt to shrink the deficit on current account.

The ability of Danish firms to compete has improved in recent years, and as economic activity in their big export markets gradually picks up, they will probably win back a part of the market shares they have lost.

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According to the OECD, exports of industrial goods will rise at an annual rate of 7 or 8 percent toward the end of this year and during 1982.

Most forecasts also indicate that industrial production will pick up next year.

The OECD estimates that the GNP will rise by 3 percent in 1982 and that industrial production and investment will increase by 4.5 and 4 percent respectively. But it should be remembered that those growth rates are based on a very low starting point.

Economic policy: In recent years the government has pursued a tough policy of restraints aimed at checking inflation and strengthening the competitiveness of the firms in the export markets. At the same time, new measures are being implemented to get production moving and create new job openings.

The firms will be given certain tax reductions and more advantageous investment conditions.

The government plans to tighten its policy further by increasing certain indirect taxes--on cigarettes and beer, among other things, and possibly on automobiles.

Inflation: One of the few bright spots in the Danish economy in recent years is the fact that the rate of inflation has been checked.

Prices rose relatively slowly at the end of last year, but inflation picked up again at the start of this year.

The reason is that import prices have risen rapidly because of the rise in the dollar rate of exchange and that wages, despite the moderate 2-year agreement that went into effect at the start of this year, are expected to rise by nearly 10 percent due to wage drift and cost-of-living adjustments.

Despite that, inflation is expected to slow somewhat--from 11 percent last year to 10.5 percent this year and 8.5 percent next year.

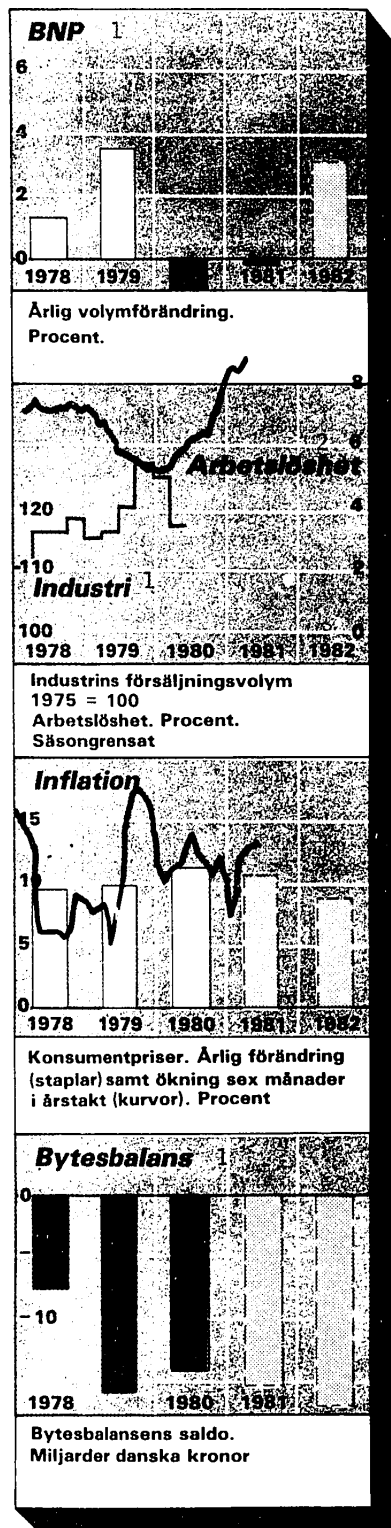
Private consumption: Last year, the volume of private consumption fell by 4 percent. The reason was sharply higher energy prices and the devaluation at the end of 1979. Certain indirect taxes were also increased.

Private consumption is continuing its decline this year. Real incomes will probably drop by nearly 2 percent, but since the savings ratio will presumably decline somewhat, the drop in private consumption will be limited to about 1 percent.

Labor Market: The number of unemployed is expected to average 250,000 this year--a full 40-percent increase over 1980. This means that 7 percent of the total labor force is unemployed.

Although industrial production is expected to rise by 4 percent next year, unemployment will scarcely be reduced, since about 35,000 new workers are expected to enter the labor market.

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Annual change in volume (percent).

Key:
1. GNP

Industrial sales volume (1975 = 100).

Unemployment (percent), seasonally adjusted.

Key:
1. Industry
2. Unemployment

Consumer prices: annual change (columns)
and 6-month increases at an annual rate
(curve). (Percent.)

Balance on current account (billions of
Danish kroner).

Key:
1. Current account

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Foreign Trade: Although the demand from Denmark's largest export markets--Sweden and the FRG--is expected to rise next year and the export industry has strengthened its competitive position in recent years, the deficit on current account is continuing to rise.

Interest charges on the fast-growing foreign debt--they are expected to total about 15 billion Danish kroner this year--are one reason why the deficit is continuing to grow.

Industrial investment: Industrial investment dropped by 8 percent last year and is expected to decline by an additional 10 percent this year.

The low propensity to invest is one result of the high interest situation and of weak demand in the domestic market.

There is a high level of idle capacity today, and even if production picks up next year, industrial investments will certainly not gather speed until the end of 1982.

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